



Michigan Employers Alert: Major Changes to Sick Leave & Minimum Wage Effective Feb 2025!

Michael R. Blum, Anthony M. Dalimonte, Clifford L. Hammond and Badri Yono (Summer Associate)

Labor & Employment Law News E-blast

July 31, 2024

Today, the Michigan Supreme Court issued a 4-3 ruling in *Mothering Justice v Attorney General* that will significantly impact all employers across the state. This decision reinstates the 2018 citizen-initiated ballot proposals, which were adopted as Earned Sick Time Act (ESTA) and the Improved Workforce Opportunity Wage Act (IWOWA) but were immediately amended to become the current Paid Medical Leave Act (PMLA) and revised IWOWA.

The Supreme Court's decision will result in a significant increase in the state's minimum wage and tipped minimum wage on a yearly basis and require nearly all Michigan employers to allow employees to accrue and use paid sick leave effective **February 21, 2025**. Here's what you need to know and how to prepare.

Understanding the Changes

1. Effective Date:

The original versions of the IWOWA and ESTA will go back into effect 205 days after the court's opinion, making the effective date February 21, 2025. This transition period is provided to allow employers to prepare for compliance with the new laws. The Supreme Court held that the minimum wage increases will go into effect in 2025; it will treat years 2019 to 2022 as originally proscribed in the statute as years 2025 to 2028 (plus the necessary inflation adjustments).

2. Earned Sick Time Act (ESTA):

The reinstated ESTA will replace the current PMLA. The ESTA mandates that employers grant employees one hour of paid sick time for every 30 hours worked, subject to annual maximums. Small employers (employers with less than 10 employees) must offer 40 hours of paid sick leave and 32 hours of unpaid leave. Large employers (more than 10 employees) must provide 72 hours of paid sick leave. Employees

AUTHORS/ CONTRIBUTORS

Courtney Gabbara Agrusa

Michael R. Blum

Karl W. Butterer

Anthony M. Dalimonte

Clifford L. Hammond

Robert A. Hamor

Michael R. Kluck

Mark T. Koerner

PRACTICE AREAS

Business Law

Employer Services

Employment Law

Employment Litigation



can use this paid sick time for various reasons, including personal or family health issues, and if they or their family members are victims of domestic violence or sexual assault. Employers can require reasonable documentation for absences exceeding three days but are generally prohibited from interfering with the use of earned sick time.

Additionally, the ESTA changes who is eligible for paid sick leave. Beginning on February 21, 2025, Michigan employers must provide paid sick leave to all of its employees, which under the ESTA means an individual engaged in service to an employer in the business of the employer (except that employee does not include an individual employed by the United States government). This definition will require providing sick leave to not only full-time employees, but also to part-time employees, temporary employees, and independent contractors.

3. Improved Workforce Opportunity Wage Act:

Starting, February 21, 2025, the IWOWA will increase minimum wage and tipped minimum wage incrementally, adjusted for inflation. The annual increases are as follows:

- February 21, 2025
 - Minimum wage: \$10.00 (plus inflation adjustment).
 - Tip credit: 48% of minimum wage.
- February 21, 2026
 - Minimum wage: \$10.65 (plus inflation adjustment).
 - Tip credit: 60% of minimum wage.
- February 21, 2027
 - Minimum wage: \$11.35 (plus inflation adjustment).
 - Tip credit: 70% of minimum wage.
- February 21, 2028
 - Minimum wage: \$12.00 (plus inflation adjustment).
 - Tip credit: 80% of minimum wage.
- February 21, 2029 –
 - Minimum wage: State treasurer to calculate inflation-adjusted minimum wage.
 - Tip credit: none (same as standard minimum wage).

What Employers Should Do

1. Review and Update Policies:

Ensure your company's policies align with the reinstated laws. Update your employee handbooks to reflect the new sick leave accrual rates and minimum wage increases.

2. Train HR and Management:



Educate your HR team and managers about the changes to ensure they understand the new requirements and can effectively communicate them to employees.

3. Adjust Payroll Systems:

Work with your payroll provider to update your systems to accommodate the new minimum wage rates and sick leave accrual methods.

4. Communicate with Employees:

Inform your employees about the upcoming changes. Clear communication will help manage expectations and ensure a smooth transition.

5. Seek Legal Counsel:

Consult with an employment law attorney to ensure full compliance with the reinstated laws and to address any specific concerns related to your business.

Conclusion

The reinstatement of the Earned Sick Time Act and the Improved Workforce Opportunity Wage Act marks a significant shift for Michigan employers. By taking proactive steps to update policies, train staff, and adjust payroll systems, you can ensure your business remains compliant and your employees are well-informed and supported. Stay ahead of the curve and prepare now for the February 21, 2025, implementation date.